

**RIGHTS AND RESOURCES INSTITUTE, INC.  
(DBA: RIGHTS AND RESOURCES GROUP)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**



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DBA: RIGHTS AND RESOURCES GROUP  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rights and Resources Institute, Inc.  
Washington, D.C.

We have audited the accompanying consolidated financial statements of Rights and Resources Institute, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Rights and Resources Institute, Inc.  
dba: Rights and Resources Group

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rights and Resources Institute, Inc. as of December 31, 2019, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

***2018 Audit***

The 2018 consolidated financial statements were audited by other auditors, whose report dated April 25, 2019, expressed an unmodified opinion on those statements.

***Change in Accounting Principles***

As discussed in Note 2 to the consolidated financial statements, Rights and Resources Institute, Inc. and Affiliate have adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.



**CliftonLarsonAllen LLP**

Greenbelt, Maryland  
July 1, 2020

**RIGHTS AND RESOURCES INSTITUTE, INC.**  
**(DBA: RIGHTS AND RESOURCES GROUP)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

<b>ASSETS</b>	2019	2018
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,073,676	\$ 8,410,225
Accounts Receivable	546,393	329,646
Contributions Receivable	1,103,750	1,272,323
Advances to Local Partners	180,885	395,090
Prepaid Expenses	80,864	101,334
Total Current Assets	4,985,568	10,508,618
<b>CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION AND DISCOUNT</b>	-	926,301
<b>PROPERTY AND EQUIPMENT, NET</b>	382,473	473,042
<b>DEPOSITS</b>	37,905	37,905
Total Assets	\$ 5,405,946	\$ 11,945,866
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Note Payable - Line of Credit	\$ -	\$ 100,243
Accounts Payable and Accrued Expenses	965,699	1,332,733
Contributions Payable	5,000	1,490,943
Deferred Revenue	1,022,612	5,206,884
Total Current Liabilities	1,993,311	8,130,803
<b>DEFERRED RENT - NET OF CURRENT PORTION</b>	373,848	394,920
Total Liabilities	2,367,159	8,525,723
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Board Designated	969,960	1,258,696
Undesignated	510,658	47,353
Total Without Donor Restrictions	1,480,618	1,306,049
With Donor Restrictions	1,558,169	2,114,094
Total Net Assets	3,038,787	3,420,143
Total Liabilities and Net Assets	\$ 5,405,946	\$ 11,945,866

See accompanying Notes to Consolidated Financial Statements.

**RIGHTS AND RESOURCES INSTITUTE, INC.**  
**DBA: RIGHTS AND RESOURCES GROUP**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>						
Grants and Contracts:						
Other Funders	\$ 4,150,772	\$ -	\$ 4,150,772	\$ 5,387,056	\$ -	\$ 5,387,056
Department for International Development	1,642,415	-	1,642,415	2,310,634	-	2,310,634
Norwegian Agency for Development Cooperation	531,914	-	531,914	1,937,096	-	1,937,096
Contributions	18	804,947	804,965	272,497	437,678	710,175
Interest	31,400	-	31,400	30,021	-	30,021
Other Revenue	1,717	-	1,717	5,880	-	5,880
Loss on Foreign Currency Transactions	(37,639)	-	(37,639)	(78,864)	-	(78,864)
Net Assets Released from Restrictions	1,360,872	(1,360,872)	-	1,683,093	(1,683,093)	-
Total Revenue	<u>7,681,469</u>	<u>(555,925)</u>	<u>7,125,544</u>	<u>11,547,413</u>	<u>(1,245,415)</u>	<u>10,301,998</u>
<b>EXPENSES</b>						
Programs	6,547,881	-	6,547,881	10,195,173	-	10,195,173
Management and General	908,179	-	908,179	1,004,115	-	1,004,115
Fundraising	50,840	-	50,840	193,809	-	193,809
Total Expenses	<u>7,506,900</u>	<u>-</u>	<u>7,506,900</u>	<u>11,393,097</u>	<u>-</u>	<u>11,393,097</u>
<b>CHANGE IN NET ASSETS</b>	174,569	(555,925)	(381,356)	154,316	(1,245,415)	(1,091,099)
Net Assets - Beginning of Year	<u>1,306,049</u>	<u>2,114,094</u>	<u>3,420,143</u>	<u>1,151,733</u>	<u>3,359,509</u>	<u>4,511,242</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,480,618</u>	<u>\$ 1,558,169</u>	<u>\$ 3,038,787</u>	<u>\$ 1,306,049</u>	<u>\$ 2,114,094</u>	<u>\$ 3,420,143</u>

See accompanying Notes to Consolidated Financial Statements.

**RIGHTS AND RESOURCES INSTITUTE, INC.**  
**DBA: RIGHTS AND RESOURCES GROUP**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	Coalition and Communications Programs	Regional Programs	Strategic Analysis Global Engagement	International Land Forest Tenure Facility	Total Programs	Management and General	Fundraising	Total Expenses
Salaries and Related Expenses	\$ 760,432	\$ 514,769	\$ 877,655	\$ 764,353	\$ 2,917,209	\$ 534,045	\$ 44,608	\$ 3,495,862
Consultants	22,182	256,552	430,990	59,934	769,658	67,960	-	837,618
Publications and Other Media	141,787	3,045	61,648	14,430	220,910	(706)	-	220,204
Office Expenses	14,350	2,160	2,064	5,876	24,450	179,994	6	204,450
Occupancy	36,746	44,032	63,214	52,857	196,849	26,839	1,529	225,217
Staff Travel	33,719	87,465	143,053	78,837	343,074	5,459	3,802	352,335
Participant Travel	91,452	42,299	48,781	111,291	293,823	-	-	293,823
Conference	72,971	8,709	25,074	30,764	137,518	9,099	25	146,642
Depreciation and Amortization	17,025	20,401	29,288	24,489	91,203	12,434	708	104,345
Miscellaneous	972	729	-	679	2,380	72,720	162	75,262
Grants	30,662	484,501	420,946	614,698	1,550,807	335	-	1,551,142
Total Functional Expenses	<u>\$ 1,222,298</u>	<u>\$ 1,464,662</u>	<u>\$ 2,102,713</u>	<u>\$ 1,758,208</u>	<u>\$ 6,547,881</u>	<u>\$ 908,179</u>	<u>\$ 50,840</u>	<u>\$ 7,506,900</u>

See accompanying Notes to Consolidated Financial Statements.

**RIGHTS AND RESOURCES INSTITUTE, INC.**  
**DBA: RIGHTS AND RESOURCES GROUP**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	Coalition and Communications Programs	Regional Programs	Strategic Analysis Global Engagement	International Land Forest Tenure Facility	Total Programs	Management and General	Fundraising	Total Expenses
Salaries and Related Expenses	\$ 761,162	\$ 354,494	\$ 918,582	\$ 1,041,082	\$ 3,075,320	\$ 500,027	\$ 112,667	\$ 3,688,014
Consultants	91,482	176,584	1,115,653	510,056	1,893,775	216,435	72,177	2,182,387
Publications and Other Media	218,063	4,031	45,687	160,631	428,412	5,527	99	434,038
Office Expenses	15,799	2,874	14,169	4,155	36,997	85,264	-	122,261
Occupancy	27,507	30,304	64,205	76,110	198,126	19,468	3,766	221,360
Staff Travel	60,886	93,237	94,416	78,777	327,316	8,774	2,845	338,935
Participant Travel	104,342	28,118	78,286	81,503	292,249	-	-	292,249
Conference	119,089	2,862	78,474	50,837	251,262	3,332	-	254,594
Depreciation and Amortization	16,175	17,819	37,753	44,754	116,501	11,447	2,215	130,163
Miscellaneous	4,719	895	444	3,500	9,558	153,841	40	163,439
Grants	-	848,166	852,421	1,865,070	3,565,657	-	-	3,565,657
Total Functional Expenses	<u>\$ 1,419,224</u>	<u>\$ 1,559,384</u>	<u>\$ 3,300,090</u>	<u>\$ 3,916,475</u>	<u>\$ 10,195,173</u>	<u>\$ 1,004,115</u>	<u>\$ 193,809</u>	<u>\$ 11,393,097</u>

See accompanying Notes to Consolidated Financial Statements.



**RIGHTS AND RESOURCES INSTITUTE, INC.  
DBA: RIGHTS AND RESOURCES GROUP  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (381,356)	\$ (1,091,099)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization	104,345	130,163
Loss on Disposal of Property and Equipment	-	638
Amortization of Discount on Contributions Receivable	(73,699)	(72,487)
Increase (Decrease) in Assets:		
Accounts Receivable	(216,747)	376,306
Contributions Receivable	1,168,573	1,965,175
Advances to Local Partners	214,205	(264,132)
Prepaid Expenses	20,470	(2,934)
Deposits	-	18,470
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(367,034)	3,488
Contributions Payable	(1,485,943)	-
Deferred Rent	(21,072)	(14,119)
Deferred Revenue	(4,184,272)	1,847,807
Net Cash Provided (Used) by Operating Activities	<u>(5,222,530)</u>	<u>2,897,276</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	<u>(13,776)</u>	<u>(4,900)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Borrowings (Repayments) under Line of Credit	<u>(100,243)</u>	<u>100,120</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(5,336,549)	2,992,496
Cash and Cash Equivalents - Beginning of Year	<u>8,410,225</u>	<u>5,417,729</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 3,073,676</u></u>	<u><u>\$ 8,410,225</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	<u>1,427</u>	<u>\$ 6,008</u>
Taxes Paid	<u>\$ -</u>	<u>\$ 1,093</u>

See accompanying Notes to Consolidated Financial Statements.

**RIGHTS AND RESOURCES INSTITUTE, INC.  
DBA: RIGHTS AND RESOURCES GROUP  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 ORGANIZATION**

Rights and Resources Institute, Inc. dba: Rights and Resources Group (RRG) is a nonprofit organization incorporated on October 26, 2005, under the laws of the District of Columbia. RRG coordinates the Rights and Resources Initiative, a global coalition dedicated to advancing forest tenure, policy and market reforms. The goals of the initiative are to reduce rural poverty, strengthen forest governance, conserve and restore forest ecosystems, and achieve sustainable, forest-based economic growth. RRG also conducts strategic global analyses and collaborates with local partners to advance domestic reform, strengthen community networks, and convene global and regional dialogues.

On September 6, 2018, Rights and Resources Coalition Institute (RRCI) was incorporated under the Canada Not-for-Profit Corporations Act. Its purpose is to create reform and educate indigenous peoples, local communities and rural women of their rights to participate in the political process that regulates land use and to establish and secure local ownership of forest and land.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

The consolidated financial statements include the accounts of Rights and Resources Institute, Inc. and its affiliate, Rights and Resources Coalition Institute, which is collectively referred to herein as the Organization or RRG. All significant intercompany balances and transactions have been eliminated in consolidation.

**Basis of Accounting**

RRG maintains its records using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Cash and Cash Equivalents**

RRG considers all highly liquid investments and debt instruments whose original maturity is 90 days or less to be cash equivalents. RRG maintains balances which may exceed federally insured limits. Management does not believe that this results in any significant credit risk. Cash held in a separate account per the memorandum of understanding with the Tenure Facility totaled \$ - and \$6,383,948 as of December 31, 2019 and 2018, respectively. Cash held in a separate account as required by grant agreements totaled \$282,934 and \$697,637 as of December 31, 2019 and 2018, respectively. Because requirements are quickly met during the normal course of operations, the cash balances are not segregated for purposes of financial statement presentation.

**RIGHTS AND RESOURCES INSTITUTE, INC.**  
**DBA: RIGHTS AND RESOURCES GROUP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable and Allowance for Doubtful Accounts**

Receivables consist primarily of amounts due from grants and contracts and are expected to be collected during the next year. The face amount of accounts receivable is reduced by an allowance for doubtful accounts. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts. Management did not deem an allowance necessary as of December 31, 2019 and 2018.

**Contributions Receivable**

Contributions receivable consist of unconditional promises to give that are expected to be collected in future years. Contributions receivable are reported as net assets with donor restrictions unless explicit donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities of the current period. Contributions receivable are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in Contributions in the accompanying consolidated statements of activities and changes in net assets. Contributions receivable are reviewed for collectability and a provision for doubtful pledges receivable is recorded based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. Management deems balances included in contributions receivable to be fully collectable and has determined that no allowance for doubtful accounts is required as of December 31, 2019 and 2018.

**Property and Equipment**

We record property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the consolidated statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2019 and 2018.

**RIGHTS AND RESOURCES INSTITUTE, INC.**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Advances to Local Partners**

Advance payments are made to local partner collaborators for projects. Expenses are recognized when project costs are incurred and approved by RRG.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a reserve fund to cover three months of operating expenses.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no net assets with perpetual donor-imposed restrictions as of December 31, 2019 and 2018.

**Revenue and Revenue Recognition**

Contributions, grants and contracts are recognized as without donor restrictions or with donor restrictions support depending on existence and/or nature of donor restrictions and recorded when there is sufficient evidence in the form of verifiable documentation that an unconditional promise to give was received. RRG reports amounts restricted by donors, that were initially conditional, as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) simultaneous to conditions being met. All other donor-restricted contributions, grants and contracts are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restriction.

RRG has been awarded grants from various foreign governments in their local currencies. Currency fluctuations are recorded as gains and losses on the consolidated statements of activities and changes in net assets. Changes in exchange rates after the consolidated statements of financial position date could have an effect on the balance of accounts receivable. Management has deemed that it is impracticable to determine and disclose the effects.

**RIGHTS AND RESOURCES INSTITUTE, INC.  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Allocation of Expenditures**

The costs of providing various programs and other activities of RRG have been summarized on a functional basis in the accompanying consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated among program services and supporting services benefited. The expenses that are allocated include depreciation and amortization, and occupancy, which are allocated proportionally based on direct expenses. Costs that can be identified with particular programs or support functions are charged directly to the program or function including salaries and related expenses which are charged based on time and effort.

**Tax Status**

RRG is exempt from federal income tax pursuant to Internal Revenue Code Section (IRC) 501(c)(3), and is classified as an organization that is not a private foundation. There was no unrelated business income or related tax for the year ended December 31, 2019. There was \$1,093 of income tax expense for the year ended December 31, 2018, relating to qualified transportation fringe benefits (QTF) under the 2017 Tax Cuts and Jobs Act that became effective on January 1, 2018. This provision for the taxation of QTF was repealed retrospectively in December 2019.

RRCI is exempt from income taxes on its exempt activities under the provisions of the Canadian Income Tax Act.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

**Change in Accounting Principles**

RRG has adopted the accounting guidance in Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, issued by the Financial Accounting Standards Board (FASB). The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. RRG has adopted ASU 2014-09 during 2019 using the modified retrospective method, which did not result in an adjustment to net assets because the adoption of ASU 2014-09 did not have a material impact on the RRG's reported historical revenue.

**RIGHTS AND RESOURCES INSTITUTE, INC.  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principles (Continued)**

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The guidance provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also requires an entity to determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The ASU has been applied using the prospective approach with no effect on net assets.

**Subsequent Events**

Management has evaluated subsequent events for disclosure in these financial statements through July 1, 2020, which was the date the consolidated financial statements were available to be issued.

Subsequent to year end, a pandemic of the Corona Virus (COVID-19) was declared by the World Health Organization. Future revenues and expenses of RRG are uncertain due to the potential impact on travel. This could also impact transactions relating to customers and vendors. As of July 1, 2020, the amount and likelihood of loss relating to this event has not been determined.

**RIGHTS AND RESOURCES INSTITUTE, INC.**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 3 LIQUIDITY AND AVAILABILITY OF RESOURCES**

RRG's goal is generally to maintain financial assets to meet 90 days of operating expenses. There is a board-designated reserve available for operating purposes, which includes general expenditures, with approval from the board of directors. In addition, RRG has a \$100,000 line of credit available to meet cash flow needs. Some assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date.

Financial assets available within one year of the consolidated statement of financial position date for general expenditures are as follows:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 3,073,676	\$ 8,410,225
Accounts Receivable	546,393	329,646
Contributions Receivable	<u>1,103,750</u>	<u>2,198,624</u>
Total Financial Assets	4,723,819	10,938,495
Less: Cash Held in a Separate Account Per the Memorandum of Understanding with the Memorandum of Understanding with the Tenure Facility	-	(6,383,948)
Less: Cash Held in a Separate Account Per Grant Agreements	(282,934)	(697,637)
Less: Restricted by Donor for Purpose	(558,169)	(396,942)
Less: Restricted by Donor for Time, Extending Greater than One Year	-	(926,301)
Less: Board Designated Operating Reserve	<u>(969,960)</u>	<u>(1,258,696)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 2,912,756</u>	<u>\$ 1,274,971</u>

**NOTE 4 ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2019 and 2018, consist of accounts due under grants from foreign governments and other contractual receivables as follows:

	<u>2019</u>	<u>2018</u>
Unbilled Receivable	\$ 542,968	\$ 24,560
Billed Receivables	<u>3,425</u>	<u>305,086</u>
Total	<u>\$ 546,393</u>	<u>\$ 329,646</u>

Unbilled receivables related to revenue recognized on grants from foreign governments for which billings have not been presented to the grantor.

**RIGHTS AND RESOURCES INSTITUTE, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 5 CONTRIBUTIONS RECEIVABLE**

Contributions receivable are summarized as follows at December 31:

	<u>2019</u>	<u>2018</u>
Contributions Receivable to be Collected in:		
Less: Than One Year	\$ 1,103,750	\$ 1,272,323
One Year to Five Years	-	1,000,000
Total Contributions Receivable	<u>1,103,750</u>	<u>2,272,323</u>
Less: Discount to Net Present Value at 2.54%	-	(73,699)
Total	<u>\$ 1,103,750</u>	<u>\$ 2,198,624</u>

**NOTE 6 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Leasehold Improvements	\$ 384,381	\$ 384,381
Furniture and Fixtures	176,733	176,733
Computer Hardware and Software	291,233	297,973
Total Property and Equipment	<u>852,347</u>	<u>859,087</u>
Less: Accumulated Depreciation and Amortization	<u>(469,874)</u>	<u>(386,045)</u>
Net Property and Equipment	<u>\$ 382,473</u>	<u>\$ 473,042</u>

Depreciation and amortization expense was \$104,345 and \$130,163 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 7 LINE OF CREDIT**

RRG has access to a \$100,000 revolving line of credit. The purpose of the line is to provide short-term funding when operating funds are found to be insufficient. The line of credit bears a fluctuating interest rate at prime plus 3.50%. The rate was 8.25% and 9.0% at December 31, 2019 and 2018, respectively. The line expires October 9, 2020, and is automatically renewed on an annual basis barring termination by either party at will. The balance of the line of credit was \$-0- and \$100,243 (\$243 representing accrued interest) at December 31, 2019 and 2018, respectively.



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**NOTE 8 DEFERRED REVENUE**

As of December 31, 2019 and 2018, deferred revenue represents cash received in advance for the following grants and contracts:

	<u>2019</u>	<u>2018</u>
Norwegian Agency for Development Cooperation, Government of Norway - Securing Indigenous People's and Local Community Land Rights and Saving Forests at Global Scale: The International Land and Forest Tenure Facility	\$ -	\$ 2,051,545
Swedish International Development Cooperation Agency - Agreement on Core Support to Rights and Resources Initiative	871,699	551,419
Swedish International Development Cooperation Agency - International Land and forest Tenure Facility - Leveraging Greater Public and Private Commitment and Finance to Secure Land Rights in the Forest and Rural Areas of the Developing World	-	2,578,572
Department for International Development - Scaling-Up Investor and Corporate Action to Secure Community Land Rights and Promote Responsible Investment	-	9,709
Department for International Development - Forest Governance, Markets and Climate (FGMC) Programme	63,631	11,433
The Norwegian Agency for Development Cooperation - Promoting Forest Tenure and Governance Reforms as Pre-Requisites to the Effective Implementation of REDD+	64,392	-
All Others	<u>22,890</u>	<u>4,206</u>
Total Deferred Revenue	<u>\$ 1,022,612</u>	<u>\$ 5,206,884</u>
	-	-

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**NOTE 9 NET ASSETS WITH DONOR RESTRICTION**

RRG has net assets with donor restrictions at December 31 as follows:

	2019	2018
Providing Gender Justice and Women's Rights in Land and Forest Tenure Regimes	\$ 121,861	\$ 9,388
Capacity Building	20,382	210,249
Other Programs	415,926	177,305
Time Restrictions	1,000,000	1,717,152
Net Assets With Donor Restrictions	\$ 1,558,169	\$ 2,114,094

**NOTE 10 NET ASSETS RELEASED FROM RESTRICTION**

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by the donor, are as follows for the years ended December 31:

	2019	2018
Providing Gender Justice and Women's Rights in Land and Forest Tenure Regimes	\$ 107,527	\$ 210,612
Capacity Building	189,867	974,410
International Land and Forest Tenure Facility	-	246,409
Time Restrictions	716,052	236,662
Other Restrictions	347,426	15,000
Net Assets With Donor Restrictions Releases	\$ 1,360,872	\$ 1,683,093

**NOTE 11 CONDITIONAL CONTRIBUTIONS - REVENUE**

A portion of RRG's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when RRG has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidated statements of financial position. RRG received cost-reimbursable grants that have not been recognized as of December 31, 2019 because qualifying expenditures have not yet been incurred and have been received as advance payments of \$1,022,612 recognized in the consolidated statements of financial position as deferred revenue.

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**NOTE 12 CONCENTRATIONS**

Revenue from grants and contracts during the years ended December 31, 2019 and 2018 from four and three funders, respectively, comprised 80% of total revenues, respectively. Billed and unbilled receivables at December 31, 2019 and 2018 from two and one funder, respectively, comprised 99% and 89%, respectively, of total accounts receivable.

Contributions from two organizations comprised 59% of total contribution revenue during the year ended December 31, 2018. Unconditional promises to give from two organizations comprised 99% and 98% of contributions receivable at December 31, 2019 and 2018, respectively.

**NOTE 13 EMPLOYEE RETIREMENT PLAN**

RRG provides a tax-deferred annuity plan for employees under Internal Revenue Code Section 401(k). Employees are eligible to defer a portion of their compensation immediately upon beginning employment, not to exceed statutory limits. Employees who are at least 18 years of age are eligible to receive a non-elective contribution of 3% of qualified earnings and employer discretionary contributions. The percentage for discretionary contributions is determined annually at the discretion of RRG. Employees are immediately vested in the non-elective contribution, and become vested in the remainder of employer discretionary contributions upon completion of 1,000 hours of service within a 12-month period. RRG's contributions were \$163,006 and \$183,839 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 14 RELATED PARTY TRANSACTIONS**

RRG has been incubating the International Collection Foundation for Ground and Skogsrattigheter ("the Tenure Facility") since 2013, serving as legal, financial, and technical host. The Tenure Facility applied for registration in Stockholm, Sweden on December 6, 2016 and became a separate registered entity on January 1, 2017. In November 2017, RRG and the Tenure Facility entered into a memorandum of understanding which outlines the understanding of services provided by RRG to the Tenure Facility, board participation of the Executive Director of the Tenure Facility on RRG's Board of Directors and participation of the President of RRG on the Tenure Facility's Board of Directors. The Tenure Facility Board Members have not had any direct influence on RRG funding decisions. RRG contributed \$574,508 and \$1,013,089 to the Tenure Facility for the years ended December 31, 2019 and 2018, respectively. RRG does not exercise control over the Tenure Facility therefore the Tenure Facility is not consolidated with RRG. Management of the Tenure Facility transitioned from RRG to the secretariat in Stockholm in March 2019.

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**NOTE 15 COMMITMENTS**

**Leases**

On January 2017, RRG entered into a lease for office space located in Washington, DC. The lease commenced on July 1, 2017 for a term of 128 months. Initial rent payments were \$18,470 per month, with an escalation of 3% annually. The lease agreement contains a rent abatement of 50% for the first 10 months. Rent expense is recorded on a straight-line basis, and the difference between the sum of cash paid, and recorded rent and tenant improvements is reflected as Deferred Rent – Long-Term on the accompanying consolidated statements of financial position.

The following is a schedule of future minimum lease payments under the operating lease as of December 31, 2019:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 245,825
2021	253,200
2022	260,796
2023	268,620
2024	276,678
Thereafter	628,150
Total	<u><u>\$ 1,933,269</u></u>

Rent expense under the operating leases was \$225,217 and \$221,360 for the years ended December 31, 2019 and 2018, respectively.

**Conditional Grants – Grant Expense**

RRG provides cost –reimbursable grants to local partners, which are conditioned upon certain performance requirements, the incurrence of allowable expenses, and approval by RRG. As of December 31, 2019, RRG had \$268,694 in outstanding conditional grants to local partners, with advance payments of \$180,885 recognized in the consolidated statements of financial position within current assets. Grant expense will be recognized as the conditions are substantially met.